



February 2007, Issue 1

WHAT IS HIP?

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Governor Mitch Daniels recently proposed his Healthy Indiana Plan (HIP) to improve the health of all Hoosiers by reducing smoking rates, increasing access to needed childhood immunizations, and providing health coverage for the uninsured. These health initiatives would be funded by 100% of the revenues from an increase in the price of cigarettes in the following ways:

- \$24 million to initiate an aggressive smoking cessation and reduction campaign, aimed especially at reducing the number of kids who smoke;
- \$11 million for childhood immunizations; and
- The remaining revenues to establish a program that offers health insurance to 120,000 or more low-income Hoosiers (depending on how high the tax on cigarettes is raised).

WHY IS HIP IMPORTANT?

Indiana has the second highest smoking rate in the country. More than \$1 billion per year is spent in Indiana on smoking-related health care. Indiana Medicaid spends more than \$400 million on smoking-related health care costs.

The 2005 Behavioral Risk Factor Surveillance Survey showed that 27.1 percent of adult Hoosiers smoked. And, 49.3% of uninsured Hoosiers are current smokers. These rates won't drop as long as Indiana has some of the cheapest cigarettes in America. Our current tax on cigarettes is 55.5 cents, which ranks us as having the 36th lowest tax in the nation. We must increase this tax to prevent teens from smoking and encourage adults to quit.

Currently, 22 percent of Hoosier children don't receive recommended immunizations by age two, putting Indiana 39th nationally in immunization rates for 2-year-olds. We must have dedicated state money to provide life-saving vaccines to all of Indiana's children.

On any given day, there are approximately 561,000 Hoosiers without health insurance. Indiana has experienced a steady increase in the number of uninsured since 2000, a rate of growth that exceeds national average. From 1999 to 2004, Indiana had the nation's second highest percentage decline in workers receiving employer-sponsored health insurance. As a result, each Indiana family with health insurance paid an additional \$953 in premiums in 2005 to cover the cost of the uninsured. By 2010, premiums are expected to be \$1,494 higher for families to account for the cost of the uninsured.

HOW WILL HIP WORK?

Economic research shows us that for every 10 percent increase in the real price of cigarettes, teen smoking declines by 7 percent and adult smoking declines by 4 percent. Considering that 90 percent of smokers start as teenagers, and teens are highly sensitive to price, higher-priced cigarettes will reduce youth smoking rates. Increasing the tax on cigarettes by at least 25 cents will generate at least \$120 million in new revenues.

HIP proposes to dedicate the first \$24 million for the Indiana Tobacco Prevention and Cessation (ITPC) Trust Fund. By adding this \$24 million to the ITPC's current budget of \$11 million, Indiana will restore ITPC funding to recommended levels by the Centers for Disease Control and Prevention (CDC).

The next \$11 million would be used to expand access to needed immunizations for children under the age of 2 years. For each \$1 spent on childhood immunizations, the state will save nearly \$17 in health care costs.

The remaining revenues would be used to expand health coverage to the uninsured. Insurance coverage under HIP would be eligible for uninsured Hoosiers who earn less than 200 percent of the federal poverty level and who are without access to employer-sponsored health insurance.

Under HIP, each participant would receive free preventive care of up to \$500 annually, including smoking cessation programs, annual physicals, mammograms, prostate exams, and treatment for diabetes.

Each participant would also receive a Personal Wellness Responsibility (POWER) Account valued at \$1,100 per adult that would be available to pay for initial medical costs. After the account is depleted, expenses would be covered by \$300,000 of annual insurance coverage with up to \$1 million of lifetime coverage. Contributions to the POWER account would be made by the State and each participant (based on ability to pay). No participant would pay more than 5% of his/her gross family income. The POWER account would be controlled by the participant.

HIP would save Hoosier health care dollars and makes good sense by protecting the health of children from smoking and disease, encouraging preventative care, and offering insurance to thousands of Hoosiers. HIP would also help promote personal responsibility for health and lays a foundation for more affordable health care costs and financing.

So, stay healthy and be HIP!



BILL WATCH

- The Healthy Indiana Plan (Senate Bill 503) passed its first legislative hurdle and was unanimously approved (9-0) by the Senate Health and Provider Services Committee on February 7.
- SB 503 has been re-committed to the Senate Appropriations Committee and will be heard on Thursday, February 15.
- SB 503 continues to be amended as the legislative process continues. One amendment worth mentioning is that the plan is now open to small employers that do not currently offer health insurance.

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